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Firm's Image Restoration Strategies: Cases in Ethical Apologia in Corporate Crisis

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**FIRM'S IMAGE RESTORATION
STRATEGIES: CASES IN ETHICAL
APOLOGIA IN CORPORATE CRISIS**

Kristin D. McDonald




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Firm's Image Restoration Strategies: Cases in Ethical Apologia in Corporate Crisis

by
Kristin D. McDonald

A Thesis Submitted in Partial Fulfillment of Requirements of the CSU
Honors Program for Honors in the degree of Bachelor's of Business
Administration in Management, D. Abbott Turner College of Business and
Computer Science, Columbus State University.



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November 24, 2009

Dr. Tom Loughman
D. Abbott Turner College of Business and Computer Science
4225 University Avenue
Columbus, GA 31907

Dear Dr. Loughman:

Enclosed is the completed thesis Corporate Crisis: Cases in Image Restoration Strategies and Ethical Apologia. This report was compiled using extensive secondary research from numerous sources. This research reveals pertinent information regarding ethical apologia and the image restoration strategies used by companies when involved in a crisis.

The primary sections of this paper introduce the concepts of ethical apologia and image restoration strategies examined by Benoit, Ware, and Linkugel. The introductory sections also include information regarding the anatomy of a crisis and the stages of a crisis established by Gottschalk. Furthermore, examples of each image restoration strategy are presented in the cases researched. These cases include the Ford Pinto, the Exxon Valdez oil spill, a murder at McDonald's, the AT&T Network breakdown, the Gerber baby food glass contamination, the Union Carbide gas leak, the Tylenol poisonings, and the Calnev pipeline rupture. Each of these cases is described in depth and their reaction to each crisis is evaluated.

I would like to thank you for your assistance in compiling this thesis and the time you invested in this procedure. I would also like to thank Dr. Danna Gibson, Dr. Tobias Huning, and Dr. Jong Ha for being a part of this process. Your opinions and advice have significantly assisted me in this process and are greatly appreciated.

Sincerely,

Kristin McDonald

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Executive Summary

This paper examines ethical behavior in organizations and the decisions made when faced with a crisis. The research looks at the anatomy of a crisis and the stages of a crisis (Gottschalk, 1993). The image restoration strategies are also included, along with the justification for image restoration in organizations. The five image restoration strategies are denial, evading responsibility, reducing the offensiveness, corrective action, and mortification (Benoit, 1995). Ethical apologia theory is described in the paper as well as the four factors of verbal defense (Ware and Linkugel, 1973). These four factors are denial, differentiation, bolstering, and transcendence. The paper also studies eight cases of image restoration and the actions taken by companies faced with a crisis. The companies researched are Ford, Johnson & Johnson, Exxon, McDonald's, AT&T, Union Carbide, Gerber, and Kinder Morgan. Each case is studied in depth and the image restoration strategy used by each is examined and judged for its success in correcting the problem.

The research conducted provides a key insight into the successfulness of image restoration strategies. It also presents the actions that take place when a company is involved in a crisis. The research methodology used for this paper involves an examination of eight cases of crisis and analyses of the impact of each crisis on the company. Overall, this paper supplies information regarding what occurs during a crisis, a correct way to respond to a crisis, and real-life examples of the right and wrong responses by well-known organizations.

Introduction

Ethical behavior in the workplace occurs when managers follow ethics, a set of moral principles or values that define right and wrong. Corporations have a social responsibility to the public and must insure the safety of their products and services. In order to take actions and pursue policies that benefit society, companies must sometimes put the greater good of society above the economic goals of their company. Unfortunately, in certain situations, the safety and general health of the public is put at risk in order to increase the profits of the company. The choices that companies make when faced with a crisis can determine and influence the success and reputation they receive from people around the world. The actions of eight prominent companies provide an insight into the effect each ethical decision had on the performance of the business. Even though the situations faced by each company were very different, the overall effect and decisions made have affected their performance throughout the years. A major concept to be drawn from these cases is that image restoration is essential to the success or failure of a company, and each company has a social responsibility to remain trustworthy, fair, and moral in their actions.

Theoretical Background

Stages of a Crisis

When a company is faced with a crisis, there are three stages it goes through, according to Jack Gottschalk, author of *Crisis Response* (1993). The first stage is the pre-crisis stage which is composed of the warning signs of a problem. Throughout

this stage, the company should attempt to resolve the problem before it intensifies. If the proper steps are not taken, the next phase is the actual point of the crisis. This area consists of the climax of the problem and is the stage where the company should assess the crisis and take action. The final stage is post crisis where the company must focus on rebuilding and reforming the problem areas. In order to fully recover from the crisis, the organization must strive to keep all stakeholders informed, including management, employees, media, government, and the consumers. If the situation is left unaddressed, it can seriously jeopardize the ability of the organization to conduct normal business activities.

Anatomy of a Crisis

According to Gottschalk, there are three main components when responding to a crisis that make up the anatomy of a crisis (1993). The first step to being fully effective when responding to a crisis is to have a crisis team prepared to make decisions quickly and decisively and to act on their decisions. An organization that is prepared and has an established crisis response team will be more capable of making the correct decision and doing so in a timely manner. A crisis team specializes in the steps to be taken when faced with a problem and can effectively help an organization in their time of need. Crisis team members must remain calm and level headed when asked for a solution, as well as being up to date on the current ethical dilemmas faced by companies throughout the world and the way others respond to crises. By remaining up to date, the organization can ensure that

the process used when attempting to put the crisis behind them is the most efficient and least damaging to the company's reputation.

Furthermore, Gottschalk suggests that the second step in responding to a crisis is to anticipate what will happen next and take control of the situation. This helps a company by providing them with an insight into the problem and allowing them to be prepared for whatever may occur in the immediate future after a crisis. A proactive company is more effective in addressing a crisis than a reactive one, because reactive companies are prolonging the overall effects of the issue. In order to become more proactive, an organization must assess what social responsibilities are expected from them and examine how they can achieve these expectations more successfully. The best way to avoid a crisis is to attempt to keep a problem from arising in the organization or in its surrounding environment. Furthermore, the crisis team and organization must try to anticipate any needs of their consumers or problems that could arise and be knowledgeable on how to solve these issues once they occur.

The final step in responding to a crisis, based on Gottschalk's research, is encouraging the crisis team members to maintain a sense of objectivity and perspective. Therefore, the crisis team is able to produce a valuable response to the crisis that is not emotionally charged. This allows the organization to look at the public's opinion and viewpoint regarding the crisis and helps to rebuild the company's reputation by showing they value the opinion of their customers. Even though the belief systems of people may be different, by examining the attitudes of several different people the crisis team will be able to make a more educated and profitable

decision. If an organization chooses crisis team members who are responsible and subjective, responds in a timely, truthful manner, and addresses all the necessary steps in the anatomy of a crisis, their reputation and the overall success of their business should not be adversely affected for the future.

Justification for Image Restoration

William Benoit, author of *Accounts, Excuses, and Apologies: A Theory of Image Restoration Strategies*, examines four reasons for image restoration in an organization (1995). The four reasons for image restoration address the various possibilities regarding why an organization can fall into a crisis situation. The first reason involves the various limited resources available in our world and the need for humans to compete for these resources. The second reason addresses circumstances out of our control that can limit the organization's ability to meet its obligations. The third reason is that human beings are not perfect and make mistakes, while some are guided by their own self-interests. Many of the cases researched in this paper are driven by the wants and needs of the organization, rather than the safety of the product. The final reason given by Benoit for image restoration deals with the conflict between people who possess competing goals. There are many different motives companies possess when attempting to restore their image, as well as the strategies they use in image restoration.

Image Restoration Strategies

There are five broad categories of image restoration established by Benoit in his research (*Accounts, excuses and apologies*, 1995). These strategies are denial, evading responsibility, reducing offensiveness, corrective action, and mortification. There are several different moments where a corporation may attempt to deny the events of a crisis. The two main examples of denial are denying that the offensive act ever occurred or denying any involvement the corporation may have in the situation. When attempting to use denial as a defense in a court of law, many corporations and individuals attempt to use an alibi, or someone who can testify that the person charged was somewhere else at the time and could not have committed the crime. However, it is difficult for an organization to establish an alibi when a crisis clearly pertains to their product or judgment. Furthermore, if a corporation attempts to deny a crisis, this causes people to question whose responsibility the crisis really was. Therefore, denial is the least favored image restoration strategy because it causes the public to perceive the company as uncaring and indifferent.

According to Benoit (1995), evading responsibility occurs when a company attempts to reduce their visible responsibility for the crisis. There are four different strategies formulated by Benoit that a corporation can choose to use when attempting to evade responsibility. The first strategy, scapegoating, occurs when a company claims that the wrongful act was committed only in response to another wrongful act which provoked the organization. The second strategy, defeasibility, occurs when a company declares that there was a lack of information about or control over certain important factors regarding the situation. This strategy allows the

company to reduce their amount of responsibility by claiming that they did not have sufficient information to make an educated decision. The third strategy that can help a company evade responsibility occurs when a company attempts to make an excuse for the accident or problem. The final strategy takes place when a company tries to justify the performance of the action on the basis of what they claim is worthy motives or intentions. Therefore, the company asks the public not to hold them completely responsible for the crisis because the action was done with good intentions.

Reducing the offensiveness of the action attempts to decrease the animosity experienced by the public, according to Benoit (1995). There are six alternatives that can be used when attempting to reduce the offensiveness of the crisis. These alternatives are bolstering, minimization, differentiation, transcendence, attacking the accuser, and compensation. Benoit states that bolstering occurs when a company tries to relate positive attributes to the problem in order to offset any negative effects (1995). Minimization simply seeks to minimize the negative effect associated with the offensive act, while differentiation tries to distinguish the problem from any other similar but unfavorable actions. Transcendence occurs when a company tries to place the act or problem in a different context, usually a broader context in order to suggest a different situation (Benoit, 1995). Companies sometimes try to attack the accuser in order to reduce the offensiveness, in the hope that the damage to the accuser's image can cause his or her accusations to be forgotten. Compensation is the final form of reducing offensiveness and is used most often. Compensation occurs when a company seeks to reimburse a victim in order to offset any negative reactions they may have to the wrongful act. Reducing the offensiveness of the

wrongful act is normally positively accepted by the public because the company is not denying their involvement in the act or trying to diminish the severity of the crisis (Benoit, 1995).

In Benoit's view, corrective action occurs when a company or organization gives their word to correct the problem, crisis, or wrongful act (*Accounts, excuses and apologies*, 1995). The company attempts to restore their reputation and the standing of their company to the way it was prior to the wrongful act or crisis. They also vow to remain honorable and make the necessary changes to prevent the situation from occurring again in the future. Furthermore, corrective action allows a company to determine the root cause of the problem and fix it so that it will not occur again and cannot damage the reputation of the organization. This method essentially serves as an apology and allows the company to accept responsibility for their mistakes while attempting to re-establish the upstanding reputation they held prior to the crisis (Benoit, 1995).

The final image restoration strategy established by Benoit is mortification (1995). Mortification occurs when an organization accepts full responsibility for the wrongful act and asks forgiveness from their consumers as well as the public. The public then can either believe the apology is sincere and forgive the organization, or can reject the apology and refuse to continue doing business with the company. The majority of people will forgive an organization for their wrongdoing if the apology seems sincere and they show that they care for the well being of their consumers. Another aspect of mortification is accepting responsibility for the action and expressing regret for the crisis occurring. Benoit also states that it is wise for an

organization to pair mortification with corrective action and apologize for the problem while attempting to correct it (1995). Overall, mortification and corrective action are the best options a company can use when attempting to restore their image.

Ware and Linkugel's Apologia Theory

Ware and Linkugel are two prominent professors who researched apologia, the speech of defense. Historically, the study of apologia has been concerned with individuals accused of wrongdoing who seek to clear their names (*They spoke in defense of themselves*, 1973). Apologia is referred to as the speech of defense and is used by a corporation when presented with a crisis to help it respond to criticism by offering a defense or response to the problem. The response typically has an ethical portion that addresses the public criticism. The apologies offered by a corporation acknowledge guilt and portray the accused corporation as defenseless and vulnerable to the situation. However, in the public eye, because corporations and organizations are incapable of emotion and feeling, these ideas must be portrayed by the individuals who represent or run the company. There are certain aspects, thoroughly researched by Ware and Linkugel, which must be possessed by an apology in order to be considered effective (1973).

In order for an apology to be efficacious, it must be truthful, sincere, timely, voluntary, address all stakeholders, and be performed in the appropriate context according to Ware & Linkugel (1973). An apologia that is truthful includes all useful information that is pertinent to the situation. A corporation must make sure they do not omit key facts that would alter the public's opinion, and they should not engage in

deception or lie about any events that occurred. Truthfulness is one of the most respected qualities that can be possessed by a corporation. If the public feels that they are being betrayed or lied to, they will not respect the corporation and will refuse to buy the products or services offered by the company.

A sincere apology is required in order to regain the respect and support of the public as well (Ware and Linkugel, 1973). The company must attempt to demonstrate that they are putting an effort into regaining the appreciation and credit of consumers. Sincerity can be achieved using the communication and operational portions of an organization. The company must show a desire to reconcile with the stakeholders and consumers for genuine reasons besides avoiding the unwanted attention from the media and public (Ware and Linkugel, 1973). If the public believes that the only reason a company is trying to reconcile is due to unwanted attention, they will not put trust or faith into the success of the company and the safety of their product. People must feel that the corporation they are supporting attempts to ensure the safety of their customers as well as cares about the well being of their consumers.

The third aspect of an ethical apologia according to Ware & Linkugel is the timeliness of the request for forgiveness (1973). That is, it is performed as soon as the offender recognizes the offense. If a company responds either too swiftly or too slowly it can severely damage the response to the apology. An apology that is released too slowly denies the victims numerous options to deal with the damage caused by the crisis. This can portray the corporation as uncaring and inconsiderate and create a sense of hostility toward the organization. On the other hand, a response that is released too quickly can make it seem that the corporation is only

trying to get the crisis over with and escape the unwanted attention. Therefore, a company must attempt to determine when is the correct time to address the situation and reestablish their reputation.

An ethical apology must also be voluntary and performed due to the desire of the corporation (Ware and Linkugel, 1973). The organization must be apologizing due to their will or from their own choice. A company must not be coerced by the public, media, or government officials to ask for forgiveness. The officials of the company must have their own desire and need to reconcile with the public and should strive to portray this desire. A voluntary apology provides the corporation with a sense of humility rather than anger toward the crisis and establishes them as caring and concerned about the safety of their consumers (Ware and Linkugel, 1973). By showing a sense of humility, the company will avoid receiving the reputation of being arrogant, proud, or assertive. The corporation must try to show their remorse and ask for forgiveness before the crisis is extensively acknowledged by the media or public.

The apology must also address the stakeholders in the company because they will be affected by the course of action taken by the organization (Ware and Linkugel, 1973). The company must ensure that they are speaking to all parties that have been or will be affected by the crisis. Even though some of the stakeholders will not be affected by the crisis, a company must ensure they target the people who have a moral problem or complaint regarding the situation. This presents the company as caring and concerned with the reputation of their company as well as the people who have an interest in the organization. Getting the stakeholders involved with the crisis will present the company as a responsible and alert firm.

Furthermore, an ethical apology must also be conducted in the appropriate context, according to Ware & Linkugel's findings (1973). The site, location, and medium chosen for the apology must be accessible to anyone involved in the crisis, particularly the stakeholders. As previously mentioned, the timing of an apology is essential to obtaining a positive response from the public. If a company responds too quickly, it can appear that they are only attempting to get the problem out of the way and forgotten about. A major offense that affects a company will be handled in a different matter than a private issue, and an apology given at the right place at the right time is essential to the company's success (Ware and Linkugel, 1973).

Four Factors of Verbal Defense

Ware and Linkugel theorized four factors of verbal defense to use during a crisis (1973). They derived these four resolution factors by researching and drawing from Robert Abelson's theory of belief-dilemma resolution. These four defenses are denial, differentiation, bolstering, and transcendence. Denial occurs when a company rejects any involvement in a crisis, while differentiation strives to remove a part of the crisis from the context. Bolstering occurs when a company takes full responsibility for their actions, while transcendence tries to link an outside factor to the crisis to provide a new perspective. All four of these factors are commonly used when providing self-defense during a crisis situation. Two of the factors, denial and bolstering, are reformatory and do not attempt to change the meaning of the crisis, while two, differentiation and transcendence, are transformative because they try to change the public's perspective regarding the crisis. They all attempt to resolve the problem and

restore the traditional order of business while providing closure and satisfactory apologia.

The first factor of resolution established by Ware & Linkugel is denial, which is used by a company to negate their involvement in a crisis. Denial does not strive to change the public's overall opinion regarding a crisis; however, it attempts to remove the accused party from all wrongdoing (Ware and Linkugel, 1973). It tries to remove all relation to and participation in any negative act, while showing the company in a positive light. When using denial, a company insists that the harmful act never occurred or that they in no way had any influence over the events that happened as a result. The company can shift the blame to another party, minimize the impact of the crisis, or justify their actions regarding the situation.

Differentiation, the second factor of resolution confirmed by Ware and Linkugel, attempts to remove some small part of a crisis from the larger context of the problem (1973). This is done in order to try to change the public's opinion regarding one of the factors involved in the situation. It allows the accused party a chance to present the problem in a more satisfactory and appealing environment. Therefore, the differentiation factor "consists of those strategies which represent a particularization of the charge at hand", maintain Ware and Linkugel (1973, p. 278). The company attempts to regain the trust and respect of the public by removing an offensive part from the crisis and presenting the situation from a different perspective.

The third factor of resolution is bolstering, which is essentially the opposite of denial (Ware and Linkugel, 1973). It allows the accused party to take responsibility for their actions while showing a favorable side to the problem. Bolstering allows the

accused party to identify with the victims and attempt to regain their trust while showing the true value of their company and product. According to Ware and Linkugel, "denial is an instrument of negation; bolstering is a source of identification" (1973, p. 278). Bolstering is a strategy that attempts to strengthen the relationship between the accused party and the people affected by the crisis.

The final factor of resolution covered by Ware and Linkugel is transcendence (1973). Transcendence is the opposite of differentiation because it tries to link another outside factor with the crisis in order to present a new perspective to the public. This strategy moves the audience's viewpoint away from the crisis and attempts to reinstate a more positive viewpoint. For example, a company accused of producing a defective product would present a product in the past that was reliable in order to prove they are concerned with the safety and health of their consumers. This strategy is used more often than differentiation because it presents the company in a positive perspective (Ware and Linkugel, 1973).

Ethics and Social Responsibility

Ethics seeks to address questions about morality and sometimes determines the values and customs of society. Ethical behavior in organizations has become more apparent in recent years and the management of individual ethical behavior in organizations has been researched in depth (Trevino, 2006). According to Trevino, author of *Behavioral Ethics in Organizations*, behavioral ethics refers to individual behavior that is judged based on moral norms and behavior that are considered acceptable (2006). Behavioral ethics is focused on individual behavior that occurs

within an organization, as well as the impact it has on the company. Trevino (2006) states that one useful method for outlining research on individual behavior is James Rest's four-component analysis, which distinguishes moral awareness, moral judgment, moral motivation, and moral behavior. His argument is that these are the steps of ethical decision making.

Moral awareness, or moral issue identification, is the first step of this process and occurs when an individual recognizes that a moral problem exists in a particular circumstance (Trevino, 2006). This identification of an issue helps to initiate ethical decision making and makes it more likely that a person will conduct more ethical behavior. This stage essentially identifies the ethical issues that affect decision making and encourages individuals to conduct their actions in a more ethical way. The second step is moral judgment, which is based on Kohlberg's cognitive moral development approach (1969). This occurs when a person is aware of an ethical issue and can trigger ethical judgment. Kohlberg's theory establishes six stages of moral development. These stages include preconventional, conventional, and principled levels. However, Kohlberg discovered that very few Americans reach the principled levels of Stage 5 and 6. Therefore, ethical judgment is limited due to this lack of principles.

Moral motivation is defined as the degree of commitment to taking personal responsibility for moral outcomes in a situation (Trevino, 2006). This describes an individual's desire to remain moral in their actions, and provides mediation between the relationships of moral attitudes and judgment to behavior. Moral emotions of guilt and shame contribute to moral motivation and can influence a person to be more

ethical in their actions. Moral behavior is the final step and occurs when an individual recognizes an ethical issue and changes their behavior accordingly. This stage can influence a person to be more ethical and righteous in their daily life.

Some factors that influence ethical behavior are group size, leadership, locus of control, and peer-effects (Trevino, 2006). Ethics has been linked to the justice perceptions of employees as well as the conduct of employees. Organizational justice is considered to be employees' perceptions of organizational policies and practices being fair or unfair (Trevino, 2006). If a company can link the stages of the ethical decision-making process with organizational justice, the organization can be successful in remaining ethical on an organizational and individual level. Social responsibility is an ethical theory that a corporation or organization has a responsibility to society. Some critics (Friedman, 1970) argue that corporate social responsibility distracts companies from their goals; however, supporters (Trevino, 2006) of corporate social responsibility argue that it is essential to the success of a company and a vital part of business. If an organization can influence organizational justice and social responsibility using ethics, the supporters claim and as this paper attempts to show, the public will perceive the company as being caring and concerned with society's well being.

Cases of Image Restoration

The following eight cases reveal prominent companies who have been presented with a crisis capable of ruining their success and reputation. Each company took a different approach to handling and assessing the effects of the crisis.

Some of the companies, like McDonald's and Johnson & Johnson, were commended for their response. Others, like Exxon and Ford, showed little or no care or remorse for the public and potentially endangered the future of their company. These cases show the positive and negative aspects of differing image restoration strategies, as well as alternative strategies that could have provided more successful outcomes. The background information, situation facts, image restoration strategy used by the company, and the public's reaction to each crisis will be revealed and evaluated based on the previously mentioned research of Benoit, Gottschalk, and Ware and Linkugel.

Ford Motor Company: The Pinto Case

According to the Ford website, Ford Motor Company was founded and incorporated in 1903 by Henry Ford and is based in Dearborn, Michigan (*Ford motor company heritage*, 2009). Twelve investors started the company, and it has progressed into the fourth largest automaker in the world today. Ford's first automobile, the Model T, was first introduced to the public in 1908, and demand was so high for the product that other production facilities had to be established by the company. The Model T provided the pathway for Ford Motor Company to achieve more than \$100 billion estimated sales each year. Ford has been owned and operated by the Ford family for over 100 years and was one of the only major companies to survive the Great Depression. Ford began producing the Pinto in 1970 in order to compete with the smaller, more efficient vehicles being offered by foreign

car manufacturers. However, the company never imagined this car would place them in one of the most controversial crises in history.

According to Douglas Birsch, author of *The Ford Pinto Case*, The Ford Pinto was introduced to the American market on September 11, 1970 (1994). It was a subcompact car available to consumers in three different models. The different models offered by Ford included a two-door coupe, three-door hatchback, and two-door station wagon. The Pinto was introduced to the market as competition for the new import and domestic subcompacts. The car had a four-cylinder engine and was also known as the Mercury Bobcat. It was designed by Ford to be produced using little time and money throughout the next few years. Throughout the 1970's, numerous changes came about in the car manufacturing industry as there was a larger demand for safety regulations, better fuel economy, and higher performance. The Pinto grew to be the best selling subcompact car on the market at the time, until the mid-1970's when it was discovered that a rear-end collision could cause it to catch fire. During the early production of the model, a major scandal surrounded the design of the car due to the allegations that a rear-end collision would allow the fuel tank to become easily damaged. According to Birsch, another problem surrounding the Pinto was the poor reinforcement of the doors which caused them to jam when involved in an accident (1994). The main factor in this scandal was the fact that Ford was aware of the defect throughout the early stages of production of the Pinto. The company used a cost-benefit analysis and came to the conclusion that it would be cheaper overall to pay off possible lawsuits for resulting deaths, rather than pay eleven dollars per car for repairs. Once the cost-benefit analysis was revealed, there

were over one hundred lawsuits that came about as a result, according to Birsch's research (1994).

Francias Cullen, author of *Corporate Crime Under Attack: The Ford Pinto Case and Beyond*, claims the most influential lawsuit was Grimshaw versus Ford Motor Company (1994, p. 27). In May of 1972, Richard Grimshaw was traveling in a Ford Pinto hatchback with Lily Gray when they were struck by another vehicle. The impact caused the gas tank of the Pinto to be pushed forward and punctured; resulting in the car erupting into flames. Both victims survived the immediate impact and aftermath of the crash, but Gray died of congestive heart failure caused by the crash a few days later. At the time, the victims' Pinto was less than six months old and had only been driven about three thousand miles. Grimshaw suffered from permanently disfiguring burns to his entire body, and both families sued Ford Motor Company. After a six-month trial, the Gray family was awarded \$559,680 in compensatory damages while Grimshaw received \$2.5 million for compensatory damages and \$125 million for punitive damages, according to Cullen (1994).

The gas tank of the Pinto was placed only six inches away from the bumper of the car, and the company was more concerned with getting their product on the market rather than making it safe. Oregon was the first state to remove the Pinto from its car lots; however, after the public and media began to attack the company, Ford finally ordered a recall of 1.4 million Pintos, out of the 2 million originally produced, according to Birsch (1994). They reinforced the gas tank by surrounding it with two high density polyethylene shields. The main concern for Ford during this time period was protecting their image rather than protecting the overall safety of their

consumers. The lowest reported speed causing an explosion was 21 miles per hour, and at least fifty-nine people died in accidents involving the Pinto, according to Cullen (1994). The media began to attack Ford and question the overall safety and reliability of the rest of their products. Ironically, Ford had not worried about the amount of fines and lawsuits resulting from this mistake, but had only cared about protecting and preserving the image they had obtained up until that point.

The image restoration strategy used by Ford during the Pinto crisis was evading responsibility. The company was aware of the problem before the vehicle ever started being sold to consumers, and they decided to continue production rather than pay to fix the problem. The company faced severe criticism and a decrease in sales as a result of their decisions. The case of the Ford Pinto affected the amount of trust consumers had in the company and the overall willingness to buy products from Ford. By refusing to accept responsibility for their defective product, the company was viewed as uncaring and unconcerned with the health and safety of their customers. They chose to increase their profits rather than protect the lives of their consumers, resulting in lost profits as well as lawsuits. Ford had the ability to correct the defective gas tank before selling the vehicle, but they chose to put the lives of innocent people at risk in order to make money. The company was able to survive this crisis; however, their profits in the years after the incidents struggled and they had to prove their safety and concern to the public who had witnessed the Pinto madness (Gottschalk, 1993).

In my opinion, the actions taken by Ford after the Pinto crisis were damaging decisions. Once it was revealed that they used a cost-benefit analysis to determine

the potential damage between paying lawsuits and correcting the problem, Ford revealed that their main goal was to make money, rather than consider the safety of their customers. By using denial and evading responsibility, Ford's image restoration strategies were unsuccessful in retaining their reputation of being a caring, safe company that produces quality products.

The Exxon Valdez Oil Spill

According to the ExxonMobil website, Standard Oil, founded in 1863 by John D. Rockefeller, was one of the world's first multinational corporations (*ExxonMobil-Our history*, 2003). The company incorporated in 1870 and controlled 90 to 95 percent of oil production in the United States from 1870 until the early 1900s. In 1911, the Supreme Court ordered the company to be broken up into smaller portions in the Standard Oil antitrust settlement. Eight companies retained the name Standard Oil after the breakup of the company, but after numerous mergers and takeovers many of the branches of Standard Oil are renamed today. Three of the companies that resulted from this breakup were Esso, Enco, and Humble Oil, and these three companies merged on January 1, 1973 to form Exxon. Exxon merged with Mobil on November 30, 1999, but before this merger took place Exxon was a crucial part in one of the most disastrous oil spills in the history of the United States.

According to Peter Wells, author of *Exxon Valdez Oil Spill*, in the early morning of March 24, 1989, over ten million gallons of oil were spilt on the coastline of Alaska (1995). This spill was the first one to ever occur in the waters of the United States. Although no deaths resulted from the spill, the information regarding the

situation that was reported caused serious conflict and backlash for Exxon's ethical reputation. The tanker at the center of the Exxon Valdez crisis was 987 feet long and beginning a five-day run to Long Beach, California. It was one of the newest, best equipped tankers in the Exxon fleet and was departing the area base of operations. The area chosen for shipping crude oil from the North Slope was known as "the little Switzerland of Alaska" due to the beauty and grandeur of the region. The Exxon Valdez oil spill was similar to the Amoco Cadiz spill of 1978 off the French coast; however, the Cadiz spill resulted in seventy millions gallons of oil being spilled into the water, according to Wells (Wells, 1995).

Wells maintains that the main reason Exxon's spill was so controversial was because it was the first to occur in United States waters, and the moments leading up to the spill provided very disturbing images (Wells, 1995). This information was extremely damaging to Exxon's reputation and the future of their business. The first disturbing detail was the crew's response time after running aground; it took the crew twenty-three minutes to report the crash to the Coast Guard, which is critical time for gallons of oil to pour into the ocean, considering 20,000 barrels of oil escaped into the water per hour. The next disturbing detail was the captain of the Valdez, Joseph Hazelwood, had consumed two alcoholic beverages before taking over control of the tanker. Captain Hazelwood was fired on March 30th for his irresponsible, dangerous behavior. Overall, the tanker dumped 260,000 barrels (over 10 million gallons) of crude oil into Alaska's Prince William Sound. Another disturbing fact was that the chairman of Exxon, Lawrence Rawl, did not visit the site of the spill until twenty-two days after the accident occurred. Laurence Barton, author of *Crisis in Organizations*

//, maintains that “company officials were painfully slow to recognize the enormity of the environmental nightmare that was unfolding and the depth of the public relations nightmare facing them.” (2001, p. 3). Eventually, however, a full-page apology appeared in 166 newspapers across the country on April 3rd explaining the damage of the spill and the steps being taken to repair the damage.

Unfortunately, the media had already begun attacking the reputation and safety record of the company before this apology was released. Exxon credit card holders around the country were cutting up their cards and sending them to the company (Barton, 2001). Overall, forty thousand Exxon credit card holders listened to this advice and destroyed their cards. The public perception of the spill was that it had caused gas prices throughout the world to rise and this resulted in controversy and anger. Gas prices rose at an average of ten cents in the weeks following the spill. However, the spill had very little visible impact on their business other than 170 lawsuits filed against the company. By the summer of 1992, the area affected had been entirely cleaned up; however, only fourteen percent of the oil spilled was netted and completely eradicated. According to Wells, The Exxon Valdez oil spill ultimately contaminated 486 miles of shoreline and killed hundreds of thousands of birds, sea otters, and other animals (1995).

The major mistakes made by Exxon when dealing with its crisis was its slow reaction, shift of blame, and avoidance of responsibility. The company was extremely unprepared for a disaster of this proportion; therefore, the public perceived this as a lack of concern for the safety and conservation of the environment. The company missed major opportunities to correct the crisis within the media, government, public,

and the environment. The spokespeople they presented to the public seemed unprepared and uncaring, and the company ultimately profited from the spill due to the increase in gasoline prices. In general, the top executives and management of Exxon were not involved in ameliorating the crisis and did not take a realistic approach to resolving the issues.

The image restoration strategy used by Exxon in the Valdez oil spill was evading responsibility. The company used defeasibility to prove that they had a lack of control over the situation but were doing everything in their power to resolve the spill. However, the captain of the tanker had consumed alcohol hours prior to the spill, and the company seemed unconcerned with reporting the incident or cleaning it up. In order to regain the public trust, Exxon should have shown sincere concern, admitted they made a mistake, and promised to make sure it never occurred again. If a crisis like the oil spill had occurred in any other industry, the impact on the company would have been devastating. However, since Exxon has such a large control over the oil industry they were able to recover from the crisis and achieve a sales level they had prior to the spill (Gottschalk, 1993). Exxon's actions after the Valdez oil spill were completely unethical and lacked a sense of social responsibility that is expected from a corporation with their power.

I believe that the decisions made by Exxon during and after the Valdez oil spill were not thought through and damaging to the company. Exxon denied responsibility for the accident; however, the captain was intoxicated at the time of the crash, and it took valuable time for the crew to call in the spill to officials. Another mistake made by the company was the lack of remorse and refusal to clean up the spill without being

forced to do so. The image restoration strategies used by Exxon, evading responsibility and differentiation, attempted to remove the company from any fault in the accident. However, if they had used corrective action and rectified the problem, the public opinion of the company would not have been tarnished.

Murder at McDonald's

According to the McDonald's website, Dick and Mac McDonald opened the first McDonald's restaurant in San Bernardino, California in 1940 (*McDonald's history- About McDonald's*, 2009). The company was franchised in 1955 in Des Plaines, Illinois, by Ray Kroc. It has grown into the largest fast food chain restaurant in the world today, serving nearly 47 million people. The McDonald's logo is recognized worldwide, and the restaurant currently operates in 119 countries with more than 31,000 locations throughout the world. Ronald McDonald's smile is regarded as "the smile known around the world." The famous Big Mac was introduced in 1968 and is the most popular fast food item in the world today, according to the website. The multibillion dollar company is also a major contributor to charities around the world and opened the first Ronald McDonald house in 1974 to provide critically ill children and their families with a place to call home while undergoing treatments. McDonald's caters to everyone but mainly focuses on families with young children, which is why the occurrences on July 18, 1984 came as such a shock to the community and world.

According to Gottschalk, on that day in a McDonald's restaurant in San Ysidro, California, a man named James Huberty entered the restaurant and began a

shooting rampage (1993). After he was finished, there were twenty-one dead and nineteen wounded in the massacre. McDonald's top management and executives immediately began researching the appropriate steps to take regarding the situation. The events occurring immediately after the shooting were handled by law enforcement officials and hospitals in the area; however, McDonald's had to ensure that their image as a safe, dependable family restaurant was not tainted by the crisis. Top management decided to pay all hospital bills of people wounded in the shooting in order to make sure their customers remained loyal and felt cared about. They also flew the relatives of all victims into the area for the funerals, as well as provided counseling services for the families of all the victims. The executives of McDonald's also demonstrated their compassion by attending the funerals of eleven victims of the shooting. Furthermore, McDonald's established their concern for the people rather than only for their profit by removing all ads from television and radio. According to Gottschalk, this step cost the company more than \$22 million.

The media was the main opponent McDonald's faced when attempting to reestablish their reputation as a safe, hometown restaurant. They were calling the massacre "the Big Mac Attack in California" and essentially putting the focus on the fact that the shooting had occurred in a McDonald's. Radio broadcasts called the shooting the single largest massacre in American history and proceeded to publicize the event throughout the nation. The first step McDonald's had to take in addressing these events was to issue a statement emphasizing their compassion and apologies for the affected families, as well as offering their assistance in any way regarding the investigations or any medical needs. The second step was their decision to take all

advertisements off the radio and television until further notice. Another important decision facing the company involved what to do with the restaurant in which the shooting occurred. The final decision was to close the current location and tear the building down while donating the land to the local neighborhood to use at their discretion.

McDonald's built another restaurant three blocks away from the first location but did not have any press releases or media coverage following the grand opening of the store. Overall, the decisions and actions taken by McDonald's after this devastating tragedy were imperative to the future success of the company. The main advantages for the company were the clear cut directive of top management regarding the situation, as well as the extensive amount of communication between the company and media. They were able to establish a local presence in the community by meeting with the local media and a pastor in order to determine what the appropriate steps would be. Another important advantage for McDonald's was the creation of a survivor fund in order to provide assistance to the victims and the neighborhood. According to Gottschalk, the fund was started by Joan Kroc, the widow of McDonald's founder, and she donated \$100,000 herself to those affected (1993). McDonald's followed this initiative by contributing \$1 million to the survivor fund, as well as the land from the initial restaurant. These approaches were essential in preserving and protecting the company name and furthering the success of the restaurant. After the shooting, sales in McDonald's restaurants in Southern California decreased but came back strong after a few months. Furthermore, ninety-nine

percent of people agreed with the decisions made by McDonald's and continued to view the company in a positive light (Gottschalk, 1993).

The image restoration strategies used by McDonald's throughout this crisis were corrective action and mortification. The company aimed to restore their reputation to the status it was prior to the shooting, while providing the necessary assistance for those involved and respecting the lives of the people killed. They also attempted to make changes in order to ensure that this type of situation would never occur again in one of their restaurants and to protect their customers. The company accepted that while the shooting took place due to the emotions of James Huberty, they needed to guarantee that their employees and customers were safe. Since McDonald's seemed extremely sincere and caring for the victims and their families, their apology and attempt at restoring their reputation was successful and the achievements of the company continues to grow.

The choices made by McDonald's after the shooting were correct and successful in establishing and maintaining their reputation. By using corrective action and bolstering, McDonald's was able to ensure the future safety of their customers while respecting the feelings of the victims. The sincerity showed by the company after the shooting confirmed their concern for their customers and strengthened their character. In my opinion, the image restoration strategies used by McDonald's, as well as the actions taken by top management, were imperative to retaining customer support and loyalty.

AT&T Network Breakdown

According to the AT&T website, in 1983, AT&T was formed as Southwestern Bell Corporation and is currently headquartered in Dallas, Texas (*AT&T corporate history*, 2009). The corporation acquisition made by the company included takeovers of Bellsouth, Pacific, Telesis, Southwestern Bell, and Ameritech. AT&T finished the year 2007 as the largest telecommunications company in the world, and was also named among the 50 World's Most Admired Companies by *Fortune* (*America's most admired companies*, 2007). AT&T employs more than 300,000 people worldwide and provides the most reliable, innovative products in the industry. AT&T operates and maintains the worldwide long distance network. The communications network of AT&T is one of the most well established systems in the world, which made the breakdown of the network on January 15, 1990 even more alarming.

According to Gottschalk, on that day, the long distance network of AT&T failed and was shut down for nine hours (1993). This type of telecommunications crisis had never occurred before, and the company was at risk of losing more than 35 million calls per hour. Top management of AT&T feared that they would be forced to shut down the entire network in order to restart it. The officials of the business remained in contact with the media throughout the scandal and explained that the network had failed, they were not sure why, and they were working to fix it as soon as possible. Fortunately, AT&T remained in contact with the public and kept them updated on the events occurring with the network throughout the entire nine hours it was down. Whenever a customer attempted to make a call throughout the network failure, they would either receive a busy signal or a recorded message explaining what was going

on and that the company was taking all efforts to correct the problem. The only sector that remained unaffected by the network failure was private line services, such as businesses and the government.

AT&T attempted to find the source of the failure and fix it while providing their customers with access to a competitor's long distance service. They provided the long distance calling codes of their competitors in order to ensure that their customers were able to make their call and remain satisfied with the company. The company discovered two hours into the investigation that the failure was not due to hackers or sabotage, and that the problem most likely resulted from the new signaling software they had installed. A signaling system is a data network that connects long distance switching machines and overlays the regular network that transmits voices. It also carries all the information regarding called and calling numbers. According to Gottschalk, the two main problems resulting from this discovery was the fact they may be forced to shut down the entire network, and the media wanted access to the original site of the signaling software, which was located in lower Manhattan. The solutions used by AT&T were to conduct a press conference regarding the problems with the signaling software and to provide customers with a discounted day of calling for their inconvenience. By 10:30 that night there were only a few problem areas remaining throughout the network in the Midwest, and the media attention surrounding the crisis had significantly decreased.

AT&T was successful in resolving this crisis due to their updates with the media, communication with employees and customers, and compensating those involved with a discounted calling day. In Gottschalk's view, "the best way to be

prepared for a crisis is to have a professional staff and the support of top management" (*Crisis response*, 1993, p. 24). The main complaint the company faced throughout their crisis was the inability to access competitor's access codes in a timely manner. Therefore, the company formulated a new policy after the crisis where the access codes for competitor calling would be revealed within minutes of a problem. AT&T established February 14th as the discounted calling day, and on that day more than 124 millions calls were processed throughout the world. In recent years, AT&T has began handling more than 130 millions calls per day on average, and the survey conducted recently after the crisis revealed only 1 out of 10 customers' opinion on AT&T had changed (Gottschalk, 1993).

The image restoration strategy used by AT&T throughout their crisis was reducing the offensiveness in the form of compensation as well as mortification. The company admitted they were at fault and resolved to fix the problem and reinstate the reputation that they possessed prior to the crisis. They also apologized to their customers for any inconvenience the network failure could have caused them and provided the access codes of competitor companies in order to ensure that their customers' calls could go through and they would be satisfied. For any customer who felt inconvenienced or unsatisfied, AT&T provided a discount day of calling in order to reduce the offensiveness of the network failure. An international network failure could have potentially caused the collapse and breakdown of the entire company. If they had made an incorrect decision or were unable to fix the problem, one of the largest telecommunications companies in the world could have collapsed.

In my opinion, the decision by AT&T top management to remain in contact with the media as well as their employees and consumers provided them with the opportunity to seem caring and concerned for the well being of the public. They also furthered this caring attitude by presenting their customers with a discounted calling day in order to ensure that they are the best communication network in the world. By using compensation and mortification, AT&T was able both to admit they had made a mistake and attempt to restore faith in their company. Without the prompt response of AT&T officials, January 15, 1990 could have ruined the success and reputation achieved by all former companies that comprised the AT&T network.

Gerber: Baby Food Glass Contamination

According to the Gerber website, Daniel and Dorothy Gerber founded Gerber baby food in 1927 at their home in Fremont, Michigan, in order to feed their newborn baby with healthier strained foods (*About our story-Gerber*, 2009). Their first baby cereal was produced in 1932, and Gerber currently produces more than 190 products in over 80 countries and controls around 83% of the baby food market in the United States. Their products range from baby food to all types of products needed for babies and young children. Gerber is known as one of the safest, healthiest brands in the baby industry, and they have recently partnered with Nestle on their "Start Healthy, Stay Healthy" campaign for children throughout the world. The actions taken by Gerber show how committed they are to the safety and health of their consumers; therefore, the complaints received throughout 1986 were appalling to millions throughout the world.

According to Gottschalk, the complaints involving Gerber products throughout 1986 spread across 40 states and were reported in countries as far away as Australia (1993). The complaints dealt with the discovery of Gerber baby food containing small pieces of glass in some containers. Fifty percent of the people who were affected by this crisis, or discovered glass, contacted the media first before contacting Gerber in order to file a complaint. This was the second time in Gerber history that a product was under scrutiny and the future success of their company was threatened. In 1984, Gerber recalled fruit juice packets in several states due to the discovery of glass pieces. The company removed 550,000 jars of juice from the market on September 28, 1984. Throughout that year, the reputation of Gerber was tarnished and the sales of baby food dropped over 4 percent. However, once the company recalled millions of dollars worth of juice, the Food and Drug Administration found no evidence of glass from manufacturing-related causes, and Gerber realized the media and consumers had only assumed the products were contaminated. Prior to the complaints in 1986, Gerber has adopted a no-recall strategy unless the action was justified by the company's findings or discoveries by the FDA. This strategy prevented Gerber from recalling all baby food, and the decision created an intense amount of criticism against the organization.

The first action Gerber took in their crisis was to contact the media in order to stop local complaints before they could be broadcasted. The FDA inspected over 36,000 jars of baby food and was unable to find anything that justified a recall; however, the lack of a recall caused the public to view Gerber as uncaring and irresponsible. Gerber, using the findings of the FDA in order to justify their analyses

of the crisis, launched an aggressive consumer communications effort to correct the damage. According to Gottschalk, the president of Gerber issued 75,000 personal letters that were sent to families who had complained about the glass and consumers of the product (1993). Throughout the first 60 days of their effort, the company conducted 112 interviews with media as well as consumers in order to ensure the safety of their products. The company remained in contact with all investors and employees in order to keep them up to date and aware of what was going on with the crisis. By January of 1987, Gerber stocks were at 66.3% versus 66% prior to the crisis and 52.5% throughout the crisis (Gottschalk, 1993).

By learning from their overreaction in 1984, Gerber was able to remain profitable while ensuring the safety of their consumers. Gerber top management remained relatively quiet regarding the issue other than enacting a lawsuit against the state of Maryland in order to return their product to store shelves throughout the state. The company attempted to downplay the incident and continue on with normal business while avoiding the cost and negative publicity that had surrounded the 1984 juice recall. From a legal and financial perspective, Gerber made the right decision in remaining low key and not recalling the products. Gerber founded their company on the basis of providing safe, quality products and, in order to prove they cared, the company should have responded within 24 hours after the story was revealed. The option of providing tamperproof packaging was introduced after the Tylenol crisis (described below), and Gerber should have looked into it to prevent tampering in the future. Fortunately, Gerber's response to the crisis allowed them to maintain their legal and financial reputation, as well as proved their concern for public safety

The image restoration strategy used by Gerber throughout their crisis was corrective action. By recalling the juice boxes in the 1984 scare, Gerber proved that they cared about their customers and were concerned with the overall safety of their products. They were able to determine where the initial cause of the crisis came from and include an apology for their mistakes. After learning from their 1984 crisis, Gerber was able to handle the 1986 crisis using corrective action again as well as reducing the offensiveness of the ordeal. They minimized the negative impact that the crisis could have had on their company and did not attempt to deny any involvement in the act. The fact that they accepted responsibility for their problem and investigated the dangerous products allowed Gerber to remain successful and accepted by the public.

By considering the actions taken in their previous scare, Gerber was successful in restoring their image during the crisis in 1986. In my opinion, the company was right to reduce the offensiveness of their crisis due to the findings of the FDA. By also using corrective action, Gerber showed they took full responsibility for their products and ensured their safety and quality. Even though the crisis of 1986 was only a scare, the complaints were taken seriously by top management of Gerber and established them as a caring, safe company that is concerned with the public. Furthermore, their recall in 1984 reinforced this concern.

Union Carbide Gas Leak

According to the Union Carbide website, the company was founded in 1917 by George Curme and is currently headquartered in Houston, Texas (*Union Carbide*

history, 1995). The company, one of the oldest chemical and polymers companies in the United States, is a subsidiary of Dow Chemical. The first patent for chemical ethylene was filed by Curme two years after the company was founded. Sixty-seven years after the founding of Union Carbide an act of sabotage risked the lives of their employees as well as the future of the entire company. The gas leak occurred at an UCIL plant in Bhopal, India, where Union Carbide owned over half of the stock in the company. Union Carbide began investing in UCIL (Union Carbide Limited India) in 1934 and employed around 9,000 people with 14 plants throughout the country. However, the disastrous events of December 3, 1984, almost led to the destruction of the company's world famous reputation.

According to Benoit, on that day, more than 2,000 people were killed and 200,000 injured due to escaping poisonous gas from the Union Carbide Plant in Bhopal, Madhya Pradesh (1995). The gas leak affected over 500,000 people in the immediate area surrounding the plant. The government of India charged the Chairman of Union Carbide, Warren Anderson, with homicide and initiated extradition proceedings against him. On December 8, 1984, five days after the disaster, Warren Anderson attempted to visit the site of the tragedy and was arrested upon arrival. The company then proceeded to issue an official statement on December 10th apologizing for the incident and vowing to never let it occur again. The statement they released portrayed the company as caring and concerned with the safety and health of the people in India. It also revealed a favorable image of the company because it offered condolences to the people of India as well as proved the company would be cooperative with any investigations regarding the leak.

Union Carbide discovered that the leak was caused by an angry employee who added water to a storage tank causing the compound to become a lethal gas escaping into the night air (Benoit, 1995). The initial report of the leak reached Union Carbide officials twelve hours after it first occurred. The plant in India was in the process of celebrating its 50th anniversary, and Union Carbide India Unlimited had earned more than \$200 million in sales the previous year. Therefore, the report of a potentially damaging gas leak was detrimental to the future success of the company. Furthermore, the company experienced a 27 percent reduction in the value of their stock after the gas leak occurred (Barton, 2001). Union Carbide was known worldwide as a company that invested in other countries in order to contribute to growing economies around the world. The Bhopal plant was created in order to supply pesticides throughout India and protect the agriculture of the country. The initial victims of the gas leak were the families of employees who lived in the plant's surrounding shanty towns. The gas leak at Bhopal has been named as the worst industrial disaster in history, according to Benoit (1995).

The first symptoms felt by people in the area surrounding the plant were cough, burning eyes, vomiting, and suffocation. Children and people of shorter stature inhaled higher amount of the gas due to being closer to the ground, and many people in the area were trampled as they tried to escape the gases. Three thousand of the people who inhaled the toxic gas were pregnant women, and as a result the stillbirth rate in the area increased to over three hundred percent. The government of India estimates that since the leak twenty thousand other people have died as a result of gas-related diseases, and another 100,000 to 200,000 have permanent

injuries (Gottschalk, 1993). Union Carbide responded to the negative publicity surrounding the gas leak by taking four necessary steps to restore their image. They contributed \$830,000 to the relief fund, established an orphanage for the children left homeless from their parents being infected, as well as provided medical supplies and assistance to people harmed by the gas. All of their actions were voluntary, and the company assured their customers and shareholders that this type of accident would never occur again. These steps helped Union Carbide remain favorable in the eyes of the public, and Benoit discovered that only 18 percent of people blamed them for the gas leak.

The image restoration strategy used by Union Carbide after their India plant gas leak was bolstering and corrective action. The company attempted to take positive aspects regarding their business in order to offset the negative publicity they were getting as a result of the deadly lead poisoning. This helped to minimize the negative impact that the crisis might have on their company and kept the shareholders confident in their investment in the company. The stock for Union Carbide dropped to below \$33 per share immediately after the leak, but six months after the crisis it was back up to over \$60 per share (Benoit, 1995). This and the fact that only 18 percent of people blamed the company for the leak proves that the restoration strategies used by Union Carbide were successful in maintaining the reputation and success of the company. The four actions they took to correct their mistake were contributing to the relief fund, setting up the orphanage, and providing medical supplies and assistance for the infected. They also released a statement a week after the disaster occurred which showed they were caring and concerned with

the health and safety of the citizens of India. Furthermore, they vowed in their statement to never let this type of crisis happen again and protect the health of their consumers all over the world. Another emphasis of the bolstering image restoration strategy occurred when the Union Carbide chairman visited the site after knowing he would be arrested upon arrival. This showed that they were committed to the cleanup of the site and were genuinely concerned with the well being of the Indian citizens. Overall, the actions taken by Union Carbide after the Bhopal disaster were successful in maintaining the upstanding reputation and success of the company.

The image restoration strategies used by Union Carbide during the Bhopal disaster were successful in showing their concern for the safety of the public. By using corrective action and bolstering, I believe the company made the correct decisions and furthered the success of their company by doing so. The Bhopal disaster could have been detrimental to the future profits and success of Union Carbide; however, the actions of the company after the gas leak proved their dedication to public safety and environmental protection.

The Tylenol Poisonings

Johnson & Johnson, founded in 1886 by Robert Wood Johnson, James Wood Johnson, and Edward Mead Johnson, is the parent company of Tylenol. According to the Tylenol website, it was first used for medicinal purposes in 1894, but did not gain widespread use until 1948 when a group of scientists discovered another popular medication, acetanilide, was toxic (*Johnson & Johnson*, 1997). Johnson & Johnson is listed among the Fortune 500, and their products are sold in over 175 countries

throughout the world. According to the Johnson & Johnson website, the company was founded on the basis of providing sterile, safe sutures, dressings and bandages to treat wounded people. It expanded into a worldwide company throughout the 1920s and 1930s, and the products they provide have transformed the overall health and well being of million. Tylenol's mission statement proclaims "We work for you", which makes the events in the fall of 1982 even more shocking.

According to Gottschalk, throughout the fall of 1982, seven people were fatally poisoned by Extra-Strength Tylenol medicine capsules (1993). It was discovered that the products had been contaminated with potassium cyanide, and that the culprit had tampered with the medication in various drug stores and supermarkets throughout the Chicago area. Eight bottles were found to be contaminated with the lethal contents, five of which eventually led to the victims' deaths. Johnson & Johnson halted the production and advertisement of Tylenol and sent out warnings to the hospitals and distributors of the drug. The company also began playing advertisements which warned against the use of Extra Strength Tylenol due to the potential poisonings of other bottles. On October 5, 1982, Johnson & Johnson issued a mandatory recall of all Tylenol products, consisting of 22 million bottles and over \$100 million retail value (Barton, 2001). This recall proved that they were genuinely concerned with the health and safety of their consumers, and it proved to the public and media that the company had no prior knowledge of the tampering.

The first victim of the Tylenol poisonings, Gottschalk maintains, was twelve-year-old Mary Kellerman, who took the lethal drug and died shortly after on September 29, 1982 (1993). Her death was shortly followed by the deaths of Adam

Janus, Stanley Janus, and Theresa Janus who all passed away after taking pills from the same bottle. The final three known victims of the Tylenol poisonings were Mary McFarland, Paula Prince, and Mary Reiner. After their deaths were linked to the use of Extra Strength Tylenol, there were urgent warnings broadcasted on radio and news stations throughout the Chicago area, as well as policemen using loudspeakers to broadcast the potential poisonings throughout Chicago neighborhoods. An investigation into the production of the pills began immediately, and when it was discovered that the bottles had all come from different factories investigators realized the problem did not involve the production process. They investigated supermarkets and drug stores that had been targeted by a culprit who took the packages and altered them with cyanide before replacing them on the product shelves. This is why three other bottles were discovered with cyanide traces in the Chicago area. After Johnson & Johnson realized the problem came from their products being tampered with, they allowed consumers to exchange all Tylenol capsules that had been purchased prior to the crisis.

The media commended Johnson & Johnson for the steps they took in dealing with the crisis and protecting the safety of their consumers. Prior to the poisonings, Tylenol possessed 35 percent of the market, which drastically reduced to 8 percent at the time of the scare; however, due to the superior action taken by the company in dealing with the crisis they were able to reestablish their success and reputation less than a year later. According to Gottschalk, the company reintroduced the Extra Strength Tylenol capsules to the market in November with a triple-sealed package that helped ensure the safety of the product (1993). The company also offered their

customers several price discounts when purchasing products, and this allowed Tylenol to become the most popular over the counter medication in the United States a few years later. These actions allowed Johnson & Johnson to regain the reputation they had prior to the poisonings, as well as restored the trust consumers had in the products offered by the company.

Johnson & Johnson was praised for the actions taken after the Tylenol poisonings, and after a brief period of decreasing and lost sales the company returned to success and Tylenol continued as one of the top selling products. Sales of Tylenol collapsed from thirty-five percent to eight percent at the time of the scare, but the product bounced back in less than a year. By reintroducing capsules in a heavily sealed package with price promotions, Tylenol returned as the popular painkiller. After the incident, tamper resistant packaging was invented in order to prevent scares like this from occurring in the future. After the initial situations, there were 270 incidents of suspected product tampering reported in the month following the poisonings. Johnson & Johnson was able to regain about ninety-eight percent of the market shares it possessed prior to the incident. By providing a crisis hotline, offering \$1,000 for any information on the incidents, and warning people of the potential consequences from taking the medication, Johnson and Johnson was able to maintain its reputation of being caring and concerned for their consumers.

The image restoration strategy used by Tylenol after the Extra Strength capsules were contaminated with cyanide was corrective action. They were able to correct the problem created by their product without admitting guilt for the crisis that had occurred. They vowed that this type of situation would never occur again in the

future by changing the packaging of the product and introducing tamper resistant material to the capsules. The company also provided a warning to all consumers against the harmful effects the capsules could have on their health. By offering a mandatory recall on all their products, the company lost an estimated \$100 million; however, this action illustrated that they were not concerned with their profit and had a higher concern for the health and safety of their consumers. By using this image restoration strategy, Johnson & Johnson was able to obtain the sales and market share they had prior to the crisis and Tylenol became the top-selling over-the-counter medication in America.

I believe that the image restoration strategies used by Johnson & Johnson after the Tylenol poisonings were successful in continuing the achievements of the company as well as their profits. Corrective action and bolstering allowed the company to correct the problem by creating tamper-proof packaging that ensured the safety of their products. Companies can learn from the actions taken by Johnson & Johnson during the Tylenol poisonings in order to protect their success and profits from a crisis, in my opinion.

Calnev Pipeline Rupture

According to the Kinder Morgan website, the Calnev pipeline is an oil pipeline located in the United States that carries gasoline, jet fuel, and diesel fuel from Los Angeles, California, to the northeast side of Las Vegas, Nevada (*Kinder Morgan company history*, 2009). The fuels are carried from Los Angeles refineries to Nellis Air Force Base and McCarran International Airport in Las Vegas, Nevada. The

pipeline is approximately 550 miles long and carries around 128,000 barrels of fuel per day, or over five million gallons. Kinder Morgan Energy Partners own the pipeline, which also runs along an area where a Southern Pacific freight train runs. Southern Pacific Railroad was founded in 1865, and extended from New Orleans, Louisiana, to Los Angeles, California, with various stops throughout Texas, New Mexico and Arizona. In 1988, Rio Grande Industries purchased Southern Pacific; however, the name was kept due to the amount of brand recognition throughout the United States. Furthermore, in 1996 Union Pacific Railroad took over Southern Pacific after years of financial problems. However, the major crisis affecting both of these companies occurred shortly after the takeover by Rio Grande Industries.

On May 12, 1989, a South Pacific freight train derailed in San Bernardino, California. The train derailment resulted in the deaths of the conductor, brakeman, and two residents on the train. It also destroyed seven homes as well as the entire train. According to Gottschalk, the train derailment was caused by a weight miscalculation that occurred due to the transportation of 6,900 tons of trona, which is a material used in the production of fertilizer (1993). This miscalculation caused the train to weigh much more than they originally thought, and the brakes were not powerful enough to stop the train. The Southern Pacific freight train was estimated to be moving at around 110 miles per hour when it entered a turn in San Bernardino that cannot handle speeds above forty miles per hour.

Unfortunately, the Calnev pipeline is also buried six feet underground along the railroad right of way. Initial inspection of the pipeline showed no damage as a result of the train derailment; however, the cleanup operation did cause undetected

damage to the line. Thirteen days after the train derailment, the Calnev pipeline ruptured spilling thirteen thousand gallons of gas throughout the San Bernardino neighborhood. On May 25, 1989, a three-hundred-foot pillar of flames erupted into the small neighborhood, killing two people, injuring dozens and destroying eleven homes. The company immediately began damage control and set out to correct the problem.

According to Gottschalk, two hundred families that lived in the area affected by the train derailment and gas leak were housed and fed at unaffected areas (1993). The company held a public meeting five days after the leak for residents in order to explain what had happened and outline their strategy to ensure the safety of the pipeline in the future. Kinder Morgan and Southern Pacific cooperated with investigations regarding the derailment and leak, as well as worked together to provide the community with any needs. The first step they took was to place a statement in the *San Bernardino Sun* showing their concern for the safety and health of the residents of the area. The second step they took was sending letters out to customers, employees, parent companies, and shareholders in order to explain what had happened and the plan of action for the future. Both companies also established relationships with the legislators of California and Nevada, as well as city officials in the area, in order to show they were sincere and committed to rebuilding the community.

Kinder Morgan decided to reopen the pipeline only when it was deemed safe and secure; however, the pipeline was a vital part of the regional economic infrastructure as well as part of national security. The pipeline is also one of the

safest methods of transporting the dangerous fuels and petroleum products across the vast number of miles. When the decision to reopen the pipeline on June 9 was presented to the public, seventy-two percent of people were in support of the plan. However, the company took major steps in ensuring the safety of the new pipeline. Some actions they took were replacing six hundred feet of pipeline in the area, burying it sixteen feet deep underground, and encasing all pipes in concrete slurry.

The image restoration strategy used by Kinder Morgan and Southern Pacific after the train derailment and pipeline rupture was corrective action. Both companies established effective communication with the public, community, and officials in order to ensure a fast response and sincere apology. Kinder Morgan was able to retain one hundred percent of its customer base, and the price of its stock was in no way affected by the crisis. They were also successful in containing the amount of media present for the crisis, and limited the interest to only the regional level within one week of the accident. By using corrective action and attempting to resolve the problem rather than avoid it, both companies were able to remain successful and uphold their outstanding reputations. Even though the crisis had the potential to be extremely damaging, the long-term business objectives of both companies were unaffected.

Kinder Morgan's actions after the train derailment and pipeline rupture were successful in proving their dedication to public safety. Corrective action and bolstering are successful image restoration strategies and demonstrate the correct ethical decisions of a company. The Calnev pipeline rupture could have been extremely damaging to the future of Kinder Morgan; however, I believe the actions

they took after the crisis were successful in upholding their reputation. These actions will continue to further the success of the company and will eliminate the crisis from public opinion.

Summary of Findings

The previous eight cases provide an insight into what occurs when a crisis takes place, as well as the reaction by eight prominent organizations. By evading responsibility, Ford and Exxon both risked the future success of their company. Johnson & Johnson, Gerber, Union Carbide, McDonald's and Kinder Morgan were all able to maintain the successful reputations of their companies by taking corrective action and reducing the negative impact of their crisis. Even though AT&T did not use corrective action, their ability to reduce the offensiveness of the crisis allowed them to remain successful and maintain their superior reputation. The following table shows each case and the image restoration strategies used by each company when faced with a crisis, as well as the researcher of each strategy. This table helps show which image restoration strategies were used by each company during their crisis. It also describes which strategies were researched by either Benoit or Ware and Linkugel.

Image Restoration Strategies Table

<i>Cases\Researcher</i>	<i>Benoit</i>	<i>Ware and Linkugel</i>
<i>Ford Motor Company: The Pinto Case</i>	Evading Responsibility/ Denial	Denial/ Differentiation
<i>The Exxon Valdez Oil Spill</i>	Evading Responsibility	Differentiation/ Transcendence
<i>Murder at McDonald's</i>	Corrective Action/ Mortification	Bolstering/ Transcendence
<i>AT&T Network Breakdown</i>	Reducing the Offensiveness/ Mortification	Differentiation/ Transcendence
<i>Gerber: Baby Food Glass Contamination</i>	Corrective Action	Bolstering
<i>Union Carbide Gas Leak</i>	Corrective Action	Bolstering
<i>The Tylenol Poisonings</i>	Corrective Action	Bolstering
<i>Calnev Pipeline Rupture</i>	Corrective Action	Bolstering

Conclusion

Ethics is essential to the success of corporations due to their social responsibility to the public. The previous cases have demonstrated how some companies, such as Tylenol, AT&T, and Gerber, make positive decisions and can escape a crisis without losing their market share or reputation. However, some companies, such as Ford and Exxon, are unsuccessful in implementing their image restoration strategies which results in the need to rebuild the trust of consumers. A crisis can be devastating to the success and future of an organization. If a company does not attempt to restore their image after being faced with a crisis, the reputation of their company may be damaged for the remainder of their existence. These steps and strategies offer organizations a way to deal with a crisis and remain honorable in the opinion of the public. Companies must attempt to show that they care about the

safety of their consumers and are concerned with the overall quality. If a company does not accept responsibility for a problem, consumers may refuse to continue doing business with them due to their lack of remorse. An organization must also be prepared in the event of a crisis so they will not suffer more than necessary. Overall, the research of Ware, Linkugel, Benoit, and Gottschalk provide steps for dealing with a crisis while these cases provide real-life examples.

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